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Office of the Secretary
Federal Communications Commission
445 12th Street SW, Suite TW-A325
Washington, DC 20554

RE: Rural Health Care Support Mechanism (WC Docket No. 02-60; FCC 02-122)

The following comments are submitted on behalf of Alliance Information Management, a North Dakota-based information technology and telecommunications consulting firm, in reference to the Federal Communications Commission (FCC) Notice Of Proposed Rule Making (NPRM) regarding the Rural Health Care Universal Service Program.

A. Eligible Health Care Providers

Nursing homes, hospice, home health care, substance abuse treatment centers, emergency service providers and private (for-profit) physician clinics are currently not eligible for Universal Service funding support.

Many small rural hospitals, unable to compete with large urban medical centers, have been converted to nursing homes in order to survive. Nursing homes are now, more than ever, a fundamental component of the health care delivery system, especially in rural communities, and should be eligible for Universal Services funding support.

Private physician clinics provide necessary and much needed health care services in many rural areas. At times, they are the only health care provider in an area. These health care practitioners need Internet and other telecommunications services to research health issues, seek consultative services from specialists, and for continuing education. They too should be eligible for Universal Service funding, just as Medicare and Medicaid cover the health care services they provide.

Making nursing homes, hospice, home health care, substance abuse treatment centers, emergency service providers and private (for-profit) physician clinics eligible under the Universal Service program is strengthening a critical part of the health care backbone of rural America.

B. Eligible Services

1. Internet Access

Noting that support for Internet toll charges is currently not utilized, it is clear that this component should be eliminated and instead replaced with funding support for any form of Internet access required by health care providers. With the explosion of information available on the Internet and the ability for rapid, timely communications, especially in light of the tragic events of September 11, 2001, and subsequent biological threats, it is a necessity for all health care providers to have Internet access. By allowing this funding, access to advanced telecommunications and information services will become a reality for many that today do not have these advantages.

We recommend providing a simple discount structure to support Internet access for health care providers with Universal Service supporting a fixed percentage of the cost of Internet access up to a maximum cap amount per health care provider.

Making the application process as easy as filing a single form, would invite more to apply, thereby providing funding support to community health care centers and rural health facilities that do not now apply due to the complexity of the application process.

2. Services Necessary for the Provision of Health Care

Should Universal Service support be extended to entities engaged in a substantial amount of non-health care related activities, rather than relying on the certification that the support services are used solely for health care related activities, audits could be performed to assess the entities actual usage. In the event that an entity is found to be in violation, funding support could be adjusted to match the actual utilization attributed to health care activities.

3. Calculation of Discounted Services

The "similarity" of urban and rural services should be determined on the basis of functionality from the perspective of the end user, rather than on the basis of whether urban and rural services are technically similar.

For purposes of determining the urban rate, comparison of rates in the largest urban area in the state, not just comparison with the rates in the nearest city with a population of over 50,000, should be allowed.

4. Interpretation of Similar Services

It must be taken into account that infrastructure availability in the rural areas often is not the same as in the urban areas. Less expensive urban services are unavailable at any price in rural areas. Health care providers are therefore required to seek out more expensive services.

Comparisons should be made between or among different types of high-speed transport offered by telecommunications carriers that may be viewed as functionally equivalent by end-users.

5. Urban Area

Rules should be altered to allow comparison with rates in the largest city in a state, and not be limited to a city with a population of 50,000.

6. Maximum Allowable Distance

By removing the MAD, rural health care would gain greater flexibility in developing appropriate networks, which should improve the delivery of health care in rural areas.

We recommend the assignment an urban rate to each state, based on the urban rate of the largest city in that state. In addition to simplifying the process, this would allow the HCPs to determine the amount of support funding in advance of actually applying to RHCD.

Eliminating the MAD should also reduce administrative cost by removing labor- intensive calculations. It also adds complexity for the applicant. We support streamlining the process in any way possible.

7. Insular Areas

In regions where no urban area exists, we recommend that the nearest urban area in another state be used.

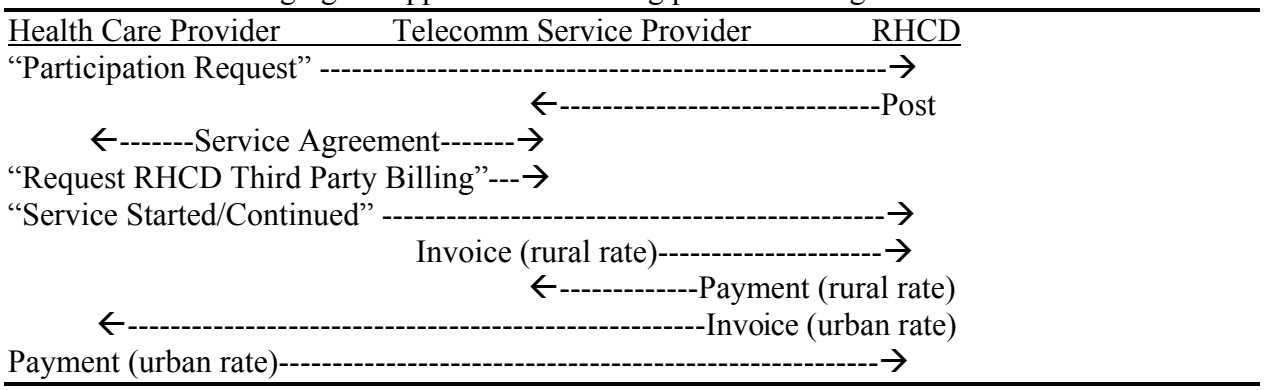
C. Other Changes to the Rural Health Care support Mechanism

1. Streamlining the Application Process

The application process currently in place needs to be fundamentally revamped and greatly simplified so the process itself is no longer a barrier to entry for many health care providers. Quite frequently we hear, “I do not have the time” and, “it’s not worth it” when health care providers are explaining why they do not attempt to apply for funding. Many rural health care employees wear many hats, and do not have the time to devote to the complex and confusing process of filing for the Universal Funding Program.

Rural telecommunications service providers, likewise, find the process overly burdensome. The current process calls for the telecommunications service provider to invoice the rural health care provider at the urban rate, and to also invoice the RHCD for the difference between the urban rate and the rural rate, thus creating double work for the telecommunications service providers.

We recommend changing the application/invoicing process as diagramed below.



The fundamental change recommended in this new process is for the RHCD to act in a "third-party administrator" role for all Health Care Providers participating in the Universal Service funding support program. This role is similar to the third-party administrators that perform very similar functions in the Medicare program.

The telecommunication service provider would agree to a third party billing arrangement wherein the RHCD is invoiced at the rural rate for the services being provided to the health care provider. The RHCD then invoices the health care provider at the urban rate and for the portion of the telecommunications services not eligible for funding support.

2. Pro-Rata Reductions if Annual cap exceeded

All applications received within the application window should be treated equally, and if necessary, the funding support reduced for all applicants so as not to exceed the $400 million annual health care total support amount. After the funding window closes, and as long as the annual cap has not been reached, applications would be processed on an "as received" basis.

3. Preventing Waste, Fraud, and Abuse

a. Competitive Bidding

Often in the rural areas, there is only a single telecommunication service provider. Where more than one does exist, a competitive bidding process has most likely taken place before the preferred telecommunication service provider was selected by the health care provider. Additionally, in order to receive cost-effective rates, health care providers often enter into multi-year contracts with their telecommunication service provider. The fact that a health care provider has already taken these steps to reduce their telecommunications costs thereby makes them ineligible under the current rules for the Universal Service program.

We believe the 28-day posting window (within which the telecommunications service providers are expected to place bids on the needed services) should be eliminated. When a contract is already in place, the additional step of bidding, added paperwork and delay is simply unnecessary. Allowing the current process to continue is putting an undue burden on the health

care providers, creating a barrier to receiving Universal Service funding, and serves no useful purpose.

If this process is not changed, to be eligible for the Universal Service program, health care providers would be required to cancel existing contracts with their telecommunications service providers and often pay substantial early termination fees. We don't believe it was ever the intent of the FCC to require health care providers to take this drastic action just to be eligible for Universal Service. Rather, the health care providers should be commended, and not penalized, for having already taken steps to reduce their telecommunication costs.

b. Ensuring the Selection of Cost-effective services

There are currently adequate measures to ensure that rural health providers select the most cost-effective services.

c. Encouraging Partnerships with Clinics at schools and libraries

d. Other measures to prevent waste, fraud and abuse

Implementing a streamlined application and third-party billing process as recommended above will enhance the ability to prevent waste, fraud, and abuse.

4. Further comments on Issues of concern

Current Low Application Rate

We believe the low application rate is due to many factors, including:

- Health care providers are unaware of the program
- Telecommunications service providers, in some cases, are uncooperative
- A misconception that funding is only for telemedicine applications
- A lack of understanding that future planned telecommunications networks, as well as those currently installed, are eligible for funding support
- Health care providers had difficulty with the RHCD year one application process and have not attempted again
- Some health care providers wrongly believe they are not eligible
- The process can be complex and confusing

Marketing and outreach should to be increased substantially. Rural Health care providers in all states need to understand that the program exists and they may be eligible to receive discounts on their telecommunication costs. By implementing outreach, rural health care providers will be better able to obtain funding through Universal Service that will lead to an improvement in health care access and quality in rural communities. The RHCD program has the potential to help develop a new market for advanced telecommunications that will further support rural communities. As telemedicine, electronic medical records, and other health technologies expand, so do the opportunities to reduce health care costs, improve the quality of patient care,

address HIPAA compliance, establish an infrastructure for identifying biological threats, and provide innovative, cutting-edge telecommunications solutions to rural health care.

Definition of Rural within agencies

As specified in the FCC's Report and Order on Universal Service of May 7, 1997 (paragraphs 504 and 647), "rural areas should be defined in accordance with the definition adopted by the Department of Health and Human Services' Office of Rural Health Policy (ORHP/HHS). ORHP/HHS uses the Office of Management and Budget's (OMB) Metropolitan Statistical Area (MSA) designation of metropolitan and non-metropolitan counties (or county equivalents), adjusted by the most currently available Goldsmith Modification, which identifies rural areas within large metropolitan counties."

We understand that ORHP no longer uses the above definition. When OMB rolls the 2000 census into their MSA definition, there will be no one to adjust it by the most current available Goldsmith Modification. This could present problems in the very near future.

Additionally it could pose the problem that HCPs could qualify as rural under one federal program but not in others. This will further complicate issues of eligibility within programs.

Effect on Demand for Support

The rural health care mechanism is today underutilized, providing only approximately $12 million in funding, out of the $400 million authorized. Even after providing for additional classes of eligible health care providers, allowing for additional funding for Internet access and streamlining the application process, it is highly unlikely that the $400 million cap would be reached.

The key to seeing a significant increase in the application rate for the Universal Service program will be in providing an effective outreach and technical assistance program that encourages health care providers who have been reluctant to file for Universal Service funding in the past, to finally apply.

Respectfully submitted,

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President
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